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C O N F I D E N T I A L SECTION 01 OF 03 COLOMBO 000787

SIPDIS

DEPARTMENT FOR SA, SA/INS, SA/PD; NSC FOR
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LONDON FOR POL/RIEDEL

E.O. 12958: DECL: 05-12-13

TAGS: PGOV PREL PINS PHUM KPAO CE

SUBJECT: Cohabitation crisis erupts as president takes steps to take over lucrative national lottery board

Refs: (A) SA/INS-Colombo 05/10/03 class e-mail
- (B) Colombo 780, and previous

(U) Classified by Ambassador E. Ashley Wills:
REASONS: 1.5 (B,D).

11. (C) SUMMARY: Another in Sri Lanka's long series of cohabitation crises has erupted as President Kumaratunga has taken steps to take over the lucrative national lottery board. The GSL has resisted the move fiercely and the dispute seems bound for the courts. In the meantime, the GSL is mulling over trying to impeach the president or calling new elections. It is not clear how far both sides want to press this matter, but cohabitation ties, which were bad, continue their downhill slide. Suggested "if asked" press guidance is contained in Para 10. END SUMMARY.

President Acts to Take Over Key Agency

12. (SBU) In the latest crisis involving Sri Lanka's always tense cohabitation ties, President Kumaratunga took steps May 9 to take over control of the Development Lotteries Board from the government. (Note: The funds this agency makes, and it is believed to run a large profit, are supposed to be used for national development projects. Some of the money is also provided to the "President's Fund," which is controlled by Kumaratunga and was set up to make similar development-related allotments. Many observers consider the agency to be a source of slush funds for those in government. End Note.) The details are a bit sketchy, but the president apparently signed an executive order late May 9 taking over the board. Copies of this order and a letter signed by the president were duly sent to Prime Minister Wickremesinghe and Minister of Economic Reform Milinda Moragoda, who is chairman of the lotteries board. In her letter, the president explained her move, asserting that she had to act because of reports she had received of managerial malfeasance at the board (She did not accuse Moragoda of any personal wrongdoing, however). She also argued that the agency should have been transferred to presidential control at the time the government switched hands in December 2001, and not been put under the Prime Minister to begin with. (Note: We also understand that the President was worried about tentative plans to privatize the lotteries board, which would deprive her of money for her "Presidents Fund.")

GSL Disputes Move

13. (C) Bitterly opposed to the president's action, the GSL acted immediately to prevent the order from being published in the government gazette. (Note: In Sri Lanka, executive orders seem to need to be published in the gazette in order to take effect, although the president's office and her supporters are disputing this -- see below.) To do this, the government ordered police and party supporters to go to the government's main printing office in downtown Colombo late May 9 to prevent publication of the order. Amid what turned out to be almost a mini-riot, the GSL made sure the order was not printed. Instead, the chief printer conveyed the issue to the Attorney General, who is now looking into the matter. (Note: As of May 12, the police are still closing off roads in the vicinity of the government's printing office in an effort to prevent trouble.)

14. (SBU) In arguing against her action, the prime minister and Moragoda both immediately sent letters (which were made public) to the president asserting that the action she had taken was improper. The PM's letter, more legal in nature than Moragoda's, asserted that Sri Lanka's constitution requires that the president "consult" with the PM prior to taking moves involving

the government. Moragoda's letter, meanwhile, asserted that what the president had done cut completely against the grain of the need for the president and the government to work together to smooth out cohabitation problems.

GSL Contacts U.S.

15. (C) Per Ref A, the president's action also precipitated a flood of requests by GSL personages for U.S. help. On May 9-10, the Ambassador received several calls from Moragoda and one from the PM, for example, requesting that the U.S. do what it could to stop what they characterized as the president's "meddling" in the government's business. In response, the Ambassador noted that the U.S. generally does not get involved in specific issues involving Sri Lanka's internal political and legal system. He went on to underscore, however, our long-standing position that the government and the president need to work together in the national interest in order to move the peace process and economic reform forward.

16. (C) In the course of discussions on this issue, Moragoda told the Ambassador that he would quit all his jobs in the government, including his position as a key member of the GSL's peace negotiation team, if the president's decision was put into effect. The Ambassador, noting Moragoda's importance to the government and to the peace process, urged him not to take such a drastic action.

Next Steps in Crisis

17. (C) At this point, the government appears to remain in charge of the lotteries board with Moragoda still acting as chairman. In the meantime, Attorney General K.C. Kamalasabason, who is considered a relatively neutral figure, is reviewing the matter. It seems that he will either issue an advisory opinion on the issue or directly refer it to the court system. As noted above, the GSL is arguing hard that the president had no right to act without consulting the PM first. The president and her supporters, on the other hand, are arguing that printing in the gazette is a mere technicality and the order should be ruled as being in effect.

18. (C) As the legal angles play out, the situation has charged up those in the governing United National Party (UNP) who believe that the party should move against the president in a political sense. Moragoda has told the Ambassador, for example, that there are some in UNP circles who are talking of moving forward with long-standing abuse of power charges against Kumaratunga with the aim of impeaching her. Others in the party are thinking of calling new elections, which many in the UNP believe will result in gains vis-a-vis the president's People's Alliance (PA) party. There is also talk of seriously constraining her "power of the purse" by starving her office of funding. As of mid-day May 12, it is not clear whether the prime minister has decided to take any of these courses or under what conditions he may do so. In the meantime, others in the party are counseling patience and a return to the status quo ante, urging that the government work to convince the president to rescind her order re the lottery.

COMMENT

19. (C) It is not clear how far both sides want to press this matter. Our sense, at this point, is that the president and the GSL might back off and not choose to make this matter a cause belli. That said, after periodic crises over the course of past months, it is clear that cohabitation ties, which were bad, are continuing their downhill slide. This is very bad news for the peace process, which is also in a trough because of the Tamil Tigers' recent decision to suspend their participation in the peace talks. Clearly, if the GSL is engaged in fighting with the president, it will not be able to give the process the full attention it requires, especially during this sensitive timeframe. (Note: SA A/S Rocca is currently visiting Sri Lanka. Her meetings, including comments in reference to co-habitation, will be reported Septel.) END COMMENT.

Suggested Press Guidance

10. (U) Suggested "if asked" press guidance follows:

Begin text:

Question:

What is the U.S. position regarding the public fight which has broken out between the president and the prime minister in Sri Lanka over the control of a key agency?

Answer:

We are aware of the situation in Sri Lanka. We continue to urge all sides to work together in a cooperative and conciliatory manner. The focus must remain on the national interest in moving the peace process and economic reform forward.

End text.

11. (U) Minimize considered.

WILLS